

CITY OF ROCKVILLE

PENSION PLAN

As Amended and Restated

Effective as of April 1, 2008

Publication Date: _____, 2010

Reflects First and Second and Third Amendments to 2008 Restated Plan

ARTICLE III

EMPLOYEE CONTRIBUTIONS

3.1 Administrative Personnel---Defined Benefit Option Only

From and after April 1, 1996, each eligible Administrative Employee who elects to participate in the Defined Benefit Option of the Plan, and who has not retired, shall make contributions under the Plan each pay period through payroll deductions at a rate equal to 5.2% of his/her biweekly earnings.

Administrative Personnel---Thrift Plan Option

From and after April 1, 1996, each eligible Administrative Employee who participates in the Thrift Plan Option, and who has not retired, shall make contributions under the Plan each pay period through payroll deductions for the purpose of contributing to the defined benefit component of his/her retirement package. Such contribution shall be at a rate equal to 1.0% of his/her biweekly earnings.

Union Employees---Defined Benefit Option Only

From and after July 1, 1975, each eligible Union Employee who elects to participate in the Defined Benefit Option of the Plan, and who has not retired, shall make contributions under the Plan each pay period through payroll deductions at a rate equal to 4.2% of his/her biweekly earnings.

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Union Employees---Thrift Plan Option

From and after December 2, 1986, each eligible Union Employee who participates in the Thrift Plan Option shall not be required to make contributions to the defined benefit component of his/her retirement package.

Police Employees--- Defined Benefit Option Only

From and after May 1, 1993, each eligible Police Employee who participates in the Defined Benefit Option of the Plan, and who has not retired, shall make contributions under the Plan each pay period through payroll deductions at a rate equal to 8.5% of his/her biweekly earnings.

As of any April 1, if the City contribution to the Defined Benefit Option of the Plan made on behalf of Administrative or Union Employees exceeds 6.5% of the Earnings of the Administrative or Union Employees who are participating under the Defined Benefit Option as of such April 1, the City, in its discretion, reserves the right to impose a "Supplemental Employee Contribution" for the following calendar fiscal year. This Supplemental Employee Contribution shall be no more than 50% of the excess of such City contribution over 6.5% of such Earnings and shall be treated as a contribution to the Defined Benefit Option.

ARTICLE IV

CREDITED SERVICE

- 4.1 An Employee will receive Credited Service for each full year of continuous service and fraction thereof, to the nearest full month, from the date he/she is first included in the Plan, to the date he/she terminates his/her employment or retires, whichever first occurs, provided that he/she has made the required contributions under the Plan as in effect from time to time.

An Employee shall, within thirty (30) days of his/her employment by the City, make an irrevocable written election to receive any unused sick leave upon his/her retirement either:— (1) as additional Credited Service under this Plan, or (2) as a cash payment in accordance with the City's personnel policies. ~~If an Employee elects to receive unused sick leave in the form of: provided, however, that such additional Credited Service or cash payment shall be available under this Plan and terminates employment before reaching the Plan only if such Employee has reached the earlier of his/her Early or Normal Retirement Date, any upon termination of employment with the City. If an Employee retires on his Early, Normal or Deferred Retirement Date and has elected to receive unused sick leave shall be paid to him/her in the form of a cash payment, such payment shall be made at retirement in accordance with the City's personnel policies. If an Employee elects~~retires on his Early, Normal or Deferred Retirement Date and has

elected to receive unused sick leave in the form of additional Credited Service under this Plan, each twenty-two (22) days of unused sick leave will be credited as one additional month of Credited Service. Any days of sick leave in excess of a multiple of twenty-two (22) days shall be converted to a cash payment at retirement in accordance with the City's personnel policies.

4.2 Service in the Armed Forces of the United States

- (a) Except as otherwise provided in Section 4.2(b), to the extent that an Employee is required as a condition of employment with the City to participate in the Plan, the Employee shall receive Credited Service, not to exceed five (5) years, for a period of absence from employment with the City while in Military Service if the Employee is thereafter reinstated as a regular Employee on a leave of absence or is actively reemployed by the City within one (1) year after leaving Military Service. The Employee must formally apply for service credit in writing within one (1) year of leaving Military Service. Effective July 1, 2007, Credited Service that an Employee receives under this Section 4.2 shall be applied to such Employee's Normal Retirement benefit using the accrual rate in effect at the time of his/her retirement from the City.

For Employees earning some Credited Service in one classification and some Credited Service in another classification, the annual amount of Normal Retirement Benefit payable to such Employee who retires on his/her Normal Retirement Date shall be computed in hybrid fashion based on the formulas applicable to the time served in each classification.

5.2 Early Retirement Benefit

Police Employees

The annual amount of Early Retirement Benefit payable to a Police Employee who retires on his/her Early Retirement Date and elects to begin receiving Retirement Benefits shall be equal to his/her benefit under Section 5.1, accrued to his/her Early Retirement Date. Such Early Retirement Benefit shall be decreased by 6/10 of 1% for each month during the first five (5) years in which an Employee retires early, and 3/10 of 1% for each month during the second five (5) years in which an Employee retires early.

Administrative Personnel and Union Employees

For retirements of Administrative Personnel commencing on or after May 31, 1986, and retirements of Union Employees commencing on or after January 1, 1987, the annual amount of Early Retirement Benefit payable to each such Employee who retires on his/her Early Retirement Date and elects to begin receiving Retirement

Benefits shall be equal to his/her benefit under Section 5.1, accrued to his/her Early Retirement Date. Such For Administrative Personnel and Union Employees hired before July 1, 2011, such Early Retirement Benefit shall be decreased by 1/4 of 1% for each month the Employee retires early. For Administrative Personnel and Union Employees hired on or after July 1, 2011, such Early Retirement Benefit shall be decreased by 3/8 of 1% for each month the Employee retires early.

5.3 Deferred Retirement Benefit

The annual amount of Deferred Retirement Benefit payable to an Employee who retires on his/her Deferred Retirement Date shall be equal to his/her benefit under Section 5.1 accrued to his/her Deferred Retirement Date.

5.4 Medical Insurance Premiums

For eligible Employees who stay with the City's policy group, the City shall pay the City's share of a Retired Employee's medical insurance premium from retirement until age sixty-five (65).

Administrative Personnel and Union Employees

For Administrative Personnel and Union Employees, eligible Employees shall be those Employees:

ARTICLE VI
RETIREMENT DATE

6.1 Normal Retirement Date

Administrative Personnel and Union Employees

For Administrative Personnel and Union Employees, hired before July 1, 2011, the Normal Retirement Date shall be the first day of the month coincident with or next following the Employee's 60th birthday. For Administrative Personnel and Union Employees hired on or after July 1, 2011, the Normal Retirement Date shall be the first day of the month coincident with or next following the later of (a) the Employee's 62nd birthday, and (b) the completion of ten (10) years of Credited Service.

Police Employees

Effective May 1, 1993, for Police Employees, the Normal Retirement Date shall be the first day of the month coincident with or next following the earlier of (a) the Employee's 60th birthday, or (b) the completion of twenty-five (25) years of Credited Service as a City Police Employee.

6.2 Early Retirement Date

An Employees' Administrative Personnel and Union Employees hired before July 1, 2011 and all Police Employees

For Administrative Personnel and Union Employees hired before July 1, 2011, and for all Police Employees, Early Retirement Date shall be the first day of any month prior to his/hersuch Employee's Normal Retirement Date, but not before the later of (a) the Employee's 50th birthday, and (b) the completion of ten (10) years of Credited Service.

Administrative Personnel and Union Employees hired on or after July 1, 2011

For Administrative Personnel and Union Employees hired on or after July 1, 2011, Early Retirement Date shall be the first day of any month prior to such Employee's Normal Retirement Date, but not before the later of (a) the Employee's 55th birthday, and (b) the completion of ten (10) years of Credited Service.

6.3 Deferred Retirement Date

An Employee's Deferred Retirement Date shall be the first day of any month subsequent to his/her Normal Retirement Date.

Annuitant occur before one hundred twenty (120) monthly payments shall have been made, the remainder of the one hundred twenty (120) monthly payments shall be payable as they become due to the Retired Employee's Beneficiary. If an Employee who has elected this option should die after his/her Normal Retirement Date and prior to his/her Deferred Retirement Date, the Contingent Annuitant, if living, shall be entitled to benefits payable for such Contingent Annuitant's further lifetime in a monthly amount equal to the amount which would have been payable to the Contingent Annuitant had the Employee retired on the date of his/her death with the Contingent Annuitant option operative.

If the Retired Employee dies after payments under this option have commenced but before he/she has received a total of one hundred twenty (120) monthly payments, monthly payments in the same amount previously paid to the Retired Employee shall continue to the Contingent Annuitant until a total of one hundred twenty (120) monthly payments have been made. After that time the Contingent Annuitant shall begin to receive monthly payments in an amount equal to the percentage specified by the Retired Employee under this option. Such payments shall cease with the last monthly payment due immediately preceding the Contingent Annuitant's death.

7.4 Notwithstanding any other provision of the Plan to the contrary, distributions:

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(a) Subject to Section 7.4(b) below, in the event a participant applies for a benefit as of his/her applicable retirement date and the benefit does not commence until sometime after such retirement date due to administrative delay, the first monthly payment made to the participant shall include any payments that would have been made to the participant (without interest on such payments) had benefits commenced as of his/her applicable retirement date.

(b) If a participant fails to apply for a benefit within six (6) months following attainment of Normal Retirement Date (or if the participant actively works after Normal Retirement Date, his/her Deferred Retirement Date), benefits will automatically commence to the participant, in the normal form of benefit described in Section 7.1, on the first day of the month immediately following the date that is six (6) months after attainment of Normal Retirement Date (or Deferred Retirement Date, if applicable). The first monthly payment made to the Participant shall include any payments that would have been made to the participant (without interest on such payments) had benefits commenced as of his/her Normal (or, if applicable, Deferred) Retirement Date.

(c) Distributions from this Plan will be made in accordance with Section 401(a)(9) of the Code (which is hereby incorporated herein) and regulations issued thereunder, including Section 1.401(a)(9)(2). Any Plan provision reflecting

Section 401(a)(9) of the Code shall override any Plan provision inconsistent with Section 401(a)(9) of the Code.

- 7.5 If a Retired Employee is re-employed by the City, his/her Retirement Benefit payments shall cease with the last payment due prior to his/her re-employment. Retirement Benefit payments shall again become payable on the first day of the month following subsequent termination of employment.

7.6 Direct Rollover Option:

Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee, the value of whose benefit is in excess of \$1,000, may elect, at the time and in the manner prescribed by the Retirement Board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover in accordance with Section 401(a)(31) of the Code.

(a) Definitions:

(1) Eligible Rollover Distribution:

An "eligible rollover distribution" is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include:

- (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made

ARTICLE VIII

DEATH BENEFITS

- 8.1 In the event an Employee dies prior to his/her Normal Retirement Date and if, as of the date of his/her death, he/she has completed at least ten (10) years of Credited Service, a death benefit will become payable to the Beneficiary of such Employee. Such Beneficiary shall be the Employee's surviving spouse unless such surviving spouse has consented in writing to another Beneficiary.

Unless otherwise elected by the deceased Employee's Beneficiary pursuant to Section 8.7, such death benefit will be in the form of a monthly payment, to commence as of the first day of the month following the death of the Employee, and continuing until the first day of the month preceding the date of death of the Beneficiary.

The monthly amount of such death benefit payable to the Beneficiary shall be equal to 50% of the monthly amount ~~which that~~ would have been payable to the Employee, determined in accordance with Section 5.1 and based on his/her years of Credited Service up to the date of his/her death, but determined without regard to any actuarial reduction due to the fact that the Employee had not attained Normal Retirement Age.

9.2 In lieu of having a Retirement Benefit at Normal Retirement Date, an Employee described in Section 9.1 may elect to receive at any time prior to his/her Normal Retirement Date a refund of his/her contributions, plus Credited Interest thereon, payable in a single sum. For (a) Administrative Personnel and Union Employees in the Defined Benefit Option or in the Thrift Plan Option with defined benefit Employee contributions, or (b) effective January 1, 1988, Police Employees, a terminating Employee shall, in addition to his/her contributions plus Credited Interest, receive a portion of the City's contributions, as determined in Section 9.3.

9.3 An Employee who terminates his/her employment with the City prior to his/her Early or Normal Retirement Date, and who does not meet the Credited Service requirements set forth in Section 9.1, shall receive a refund of his/her contributions, plus Credited Interest, paid in a single sum as soon as administratively feasible following such termination. Administrative Personnel and Union Employees in the Defined Benefit Option or in the Thrift Plan Option with defined benefit Employee contributions, or effective January 1, 1988, Police Employees, shall, in addition to his/her contributions plus Credited Interest, receive a portion of the City's contributions plus Credited Interest upon separation from service according to the following table:

Percent of Years of Credited Service	City Share Earned
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Less than 5	None
5	50%
6	60%

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7	70%
8	80%
9	90%
10 and over	100%

For the purposes of making this calculation, City contributions are deemed to be 150% of the Employee's contributions plus Credited Interest. An active participant ~~Employee~~ shall be 100% vested in the City's share upon attaining his/her Normal Retirement Date ~~regardless of Credited Service~~. For Thrift Plan employees with defined benefit Employee Contributions contributions made after March 31, ~~1996, 1986~~, City contributions are deemed to be zero.

- 9.4 Notwithstanding any provision of the Plan to the contrary, if the value of a participant's benefit (including Employee contributions plus interest, as described in Article III) is \$1,000 or less, distribution shall be made in an immediate lump sum payment.

15.3 The City shall make a matching contribution equal to \$0.50 for each \$1.00 contributed by an Employee.

15.4 An individual bookkeeping account shall be maintained by the City (or by such recordkeeper as the City may designate) on behalf of each Employee until such account is used to provide an annuity or is otherwise distributed in accordance with the further terms of this Plan. Each Employee's account will be maintained as to reflect the amount attributable to Employee contributions (as adjusted for investment experience) and the amount attributable to City contributions (as adjusted for investment experience). Each Employee's account may, at the election of the Employee, be divided into several subaccounts, each invested in different types of investments, as may be provided in accordance with rules adopted by the Retirement Board. Each Employee may change how his/her account or subaccounts are invested in accordance with rules adopted by the Retirement Board. Each Employee's account shall be valued each day and each day shall be credited with gains or losses in accordance with the investment medium in which such account or subaccount is invested.

15.5 ~~A participant~~An Employee in the Thrift Plan shall be fully vested in his/her Employee contributions with investment earnings thereon. An Employee will also be vested in a portion of the remainder in his/her account attributable to City

contributions with investment earnings thereon in accordance with the following table:

Percent of Years of Credited Service	City's Share Earned
Less than 3	None
3	20%
4	40%
5	60%
6	80% <u>7 or more</u> 100%

An active Employee shall be 100% vested in his/her account the City's share upon attaining his/her Normal Retirement Date, ~~regardless of Credited Service~~. The Thrift Plan does not take into account any prior service with any other governmental entity for purposes of calculating Credited Service for vesting under the Thrift Plan.

- 15.6 Subject to Section 7.4 with respect to required minimum distributions and the last paragraph of this Section 15.6, an Employee who terminates employment with the City may elect to leave his/her contributions in his/her account. His/her account, including the vested portion of the City's contributions, will continue to be adjusted for investment experience until his/her account is fully distributed, as set forth in the following paragraphs